



U.S.-KOREA TRADE AGREEMENT

Idaho Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Idaho agricultural products, including dairy, beef, and vegetables. Idaho's agricultural exports to all countries, estimated at \$1.5 billion in 2009, supported about 12,000 jobs, on and off the farm. These export sales make an important contribution to the Idaho farm economy, which had total cash receipts of \$5.2 billion in 2009.

Dairy Products. The Idaho dairy industry accounted for 28 percent of the state's farm cash receipts, over \$1.4 billion in 2009. Idaho ranks as the nation's fourth largest dairy exporter, estimated at \$141 million in 2009. Under the KORUS agreement:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Cattle and Beef. Idaho's cattle and calf industry generated cash receipts of \$962 million in 2009, or 19 percent of total farm cash receipts for the state. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Vegetables and Vegetable Products including Pulses. Idaho is the nation's third largest exporter of fresh and processed vegetables totaling \$477 million, and farm cash receipts totaling \$785 million from potato farming alone in 2009. The KORUS agreement will provide many benefits to the vegetables and vegetable products industry.

- Tariffs on frozen potato fries and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- A new 3,000-metric ton duty-free TRQ for fresh potatoes and a new 5,000-ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years, while the tariff for lentils will be removed in 10 years.

Wheat and Barley. Idaho's cash receipts for wheat totaled \$492 million and barley had cash receipts of \$232 million in 2009. Under the KORUS agreement:

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or the 1-percent tariff under its autonomous TRQ.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.
- A new 2,500-ton duty-free TRQ established for unhulled and naked barley will give the United States a tariff advantage over competitors such as Australia and China.
- A new 9,000-ton duty-free TRQ established for unroasted malt and/or malting barley provides the United States with 10- and 20-percent tariff advantages, respectively, over our competitors.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Idaho to World
Wheat and Barley	\$8,598,000,000	\$281,000,000
Vegetables and Vegetable Products including Pulses	\$5,279,000,000	\$477,000,000
Cattle and Beef	\$6,703,000,000	\$41,000,000
Dairy Products	\$2,335,000,000	\$141,000,000
Agricultural Total	\$96,632,000,000	\$1,484,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.